

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Unit Name		County	
Fiscal Year End		Opinion Date			Date Audit Report Submitted to State		

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

CHARTER TOWNSHIP OF ANN ARBOR

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

CHARTER TOWNSHIP OF ANN ARBOR

TOWNSHIP OFFICIALS

Supervisor - Michael Moran
Clerk - Rena Basch
Treasurer - Virginia Forshee

BOARD OF TRUSTEES

Rena Basch
Virginia Forshee
John Allison
Richard Dieterle, M.D.
Della Dipietro
Michael Moran
Gene Ragland

LEGAL COUNSEL

Bodman, Longley & Dahling

TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

March 9, 2006

Board of Trustees
Charter Township of Ann Arbor
3792 Pontiac Trail
Ann Arbor, Michigan 48105

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Ann Arbor, as of and for the year ended December 31, 2005, which collectively comprise the Charter Township of Ann Arbor's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Ann Arbor's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Ann Arbor, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplementary information on pages 9 through 14 and 42 through 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Ann Arbor's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining and individual fund statements, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA

Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis

December 31, 2005

This section of the Ann Arbor Charter Township's annual financial report provides a narrative discussion and analysis of the Township's financial activities for the fiscal year ended December 31, 2005. This narrative discusses and analyzes the activity within the context of the financial statements and disclosures that follow this section. The discussion focuses on the Township's primary governmental functions and, unless otherwise noted, component units reported separately from the primary governmental functions are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also includes additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Township's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Township-wide statement of position presenting information that includes all the Township's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall health of the Township may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues generated by the Township.

Both government-wide financial statements distinguish governmental activities of the Township that are principally supported by taxes and revenue sharing from the business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include such activities as general government, public safety, and planning and zoning departments. Business-type activities include water & sewer system operations. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Township programs.

The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units).

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Township has three kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Proprietary funds are reported in the fund financial statements and are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Township activities.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the Township as a Whole

The Township had implemented the new financial reporting model used in this report beginning with the prior fiscal year ended December 31, 2004. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Township as a whole.

The Township's net assets at the end of the fiscal year were \$23,960,652. This is a \$92,746 increase over last year's net assets of \$23,867,906.

The following tables provide a summary of the Township's financial activities and changes in net assets:

SUMMARY OF NET ASSETS DECEMBER 31, 2004 & 2005

	GOVERNMENTAL ACTIVITIES		
	12/31/05	12/31/04	Increase (Decrease)
ASSETS			
Current and other assets	\$ 6,075,087	\$ 5,626,559	\$ 448,528
Capital assets	<u>2,328,844</u>	<u>2,137,229</u>	<u>191,615</u>
Total assets	<u>8,403,931</u>	<u>7,763,788</u>	<u>640,143</u>
LIABILITIES			
Other liabilities	244,501	166,346	78,155
Deferred revenues	<u>1,764,888</u>	<u>1,731,092</u>	<u>33,796</u>
Total liabilities	<u>2,009,389</u>	<u>1,897,438</u>	<u>111,951</u>
NET ASSETS			
Invested in capital assets, net of restricted	2,328,844	2,137,228	191,616
Unrestricted	<u>4,065,698</u>	<u>3,729,122</u>	<u>336,576</u>
Total net assets	<u>\$ 6,394,542</u>	<u>\$ 5,866,350</u>	<u>\$ 528,192</u>

BUSINESS TYPE ACTIVITIES			TOTALS		
<u>12/31/05</u>	<u>12/31/04</u>	<u>Increase (Decrease)</u>	<u>12/31/05</u>	<u>12/31/04</u>	<u>Increase (Decrease)</u>
\$ 6,183,930	\$ 6,180,851	\$ 3,079	\$ 12,259,017	\$ 11,807,410	\$ 451,607
<u>11,673,956</u>	<u>12,004,559</u>	<u>(330,603)</u>	<u>14,002,800</u>	<u>14,141,788</u>	<u>(138,988)</u>
<u>17,857,886</u>	<u>18,185,410</u>	<u>(327,524)</u>	<u>26,261,817</u>	<u>25,949,198</u>	<u>312,619</u>
291,776	166,814	124,962	536,277	333,160	203,117
<u> </u>	<u>17,040</u>	<u>(17,040)</u>	<u>1,764,888</u>	<u>1,748,132</u>	<u>16,756</u>
<u>291,776</u>	<u>183,854</u>	<u>107,922</u>	<u>2,301,165</u>	<u>2,081,292</u>	<u>219,873</u>
11,673,956	12,004,559	(330,603)	14,002,800	14,141,787	(138,987)
<u>5,892,154</u>	<u>5,996,997</u>	<u>(104,843)</u>	<u>9,957,852</u>	<u>9,726,119</u>	<u>231,733</u>
<u>\$ 17,566,110</u>	<u>\$ 18,001,556</u>	<u>\$ (435,446)</u>	<u>\$ 23,960,652</u>	<u>\$ 23,867,906</u>	<u>\$ 92,746</u>

CHARTER TOWNSHIP OF ANN ARBOR
SUMMARY OF CHANGES IN NET ASSETS
FOR THE YEARS ENDING DECEMBER 31, 2005 & 2004

	GOVERNMENTAL ACTIVITIES		
	<u>12/31/05</u>	<u>12/31/04</u>	<u>Increase (Decrease)</u>
REVENUES			
Program revenues			
Charges for services	\$ 561,567	\$ 553,437	\$ 8,130
Capital grants and contributions	75,316	26,764	48,552
General revenues			
State shared revenues	294,887	287,320	7,567
Property taxes	1,525,592	1,171,041	354,551
Interest	134,538	71,812	62,726
Other	<u>223,279</u>	<u>221,415</u>	<u>1,864</u>
Total revenues	<u>2,815,179</u>	<u>2,331,789</u>	<u>483,390</u>
EXPENSES			
General government	824,730	728,792	95,938
Fire protection	1,030,676	1,016,196	14,480
Police protection	354,280	330,901	23,379
Street lighting	4,066	3,881	185
Public works	73,235	42,832	30,403
Water and sewer systems			
Total expenses	<u>2,286,987</u>	<u>2,122,602</u>	<u>164,385</u>
CHANGES IN NET ASSETS	528,192	209,187	319,005
BEGINNING NET ASSETS	<u>5,866,350</u>	<u>5,657,163</u>	<u>209,187</u>
Ending net assets	<u>\$ 6,394,542</u>	<u>\$ 5,866,350</u>	<u>\$ 528,192</u>

BUSINESS TYPE ACTIVITIES			TOTALS		
<u>12/31/05</u>	<u>12/31/04</u>	<u>Increase (Decrease)</u>	<u>12/31/05</u>	<u>12/31/04</u>	<u>Increase (Decrease)</u>
\$ 927,335	\$ 890,067	\$ 37,268	\$ 1,488,902	\$ 1,443,504	\$ 45,398
	752,671	(752,671)	75,316	779,435	(704,119)
			294,887	287,320	7,567
			1,525,592	1,171,041	354,551
174,984	130,390	44,594	309,522	202,202	107,320
			223,279	221,415	1,864
<u>1,102,319</u>	<u>1,773,128</u>	<u>(670,809)</u>	<u>3,917,498</u>	<u>4,104,917</u>	<u>(187,419)</u>
			824,730	728,792	95,938
			1,030,676	1,016,196	14,480
			354,280	330,901	23,379
			4,066	3,881	185
			73,235	42,832	30,403
<u>1,537,766</u>	<u>1,345,468</u>	<u>192,298</u>	<u>1,537,766</u>	<u>1,345,468</u>	<u>192,298</u>
<u>1,537,766</u>	<u>1,345,468</u>	<u>192,298</u>	<u>3,824,753</u>	<u>3,468,070</u>	<u>356,683</u>
(435,447)	427,660	(863,107)	92,745	636,847	(544,102)
<u>18,001,557</u>	<u>17,573,897</u>	<u>427,660</u>	<u>23,867,907</u>	<u>23,231,060</u>	<u>636,847</u>
<u>\$ 17,566,110</u>	<u>\$ 18,001,557</u>	<u>\$ (435,447)</u>	<u>\$ 23,960,652</u>	<u>\$ 23,867,907</u>	<u>\$ 92,745</u>

FINANCIAL HIGHLIGHTS OF THE TOWNSHIP'S MAJOR FUNDS

General Fund

At year end, revenues exceeded expenditures by \$78,329, despite an increased contingency for legal fees as explained in the notes to this audit. The Township does not expect to see similar performance in the future as a result of the declining State economy and other economic forces. See, "Economic Conditions and Future Activities," below.

Fire Fund

In 2005 the Township negotiated a new contract with the firefighters' union. At year end, the Fire Fund reported revenues exceeding expenditures by \$74,079. The millage supporting fire operations expires at the end of 2006 and must be replaced.

Capital Improvement Fund

The Capital Improvement Fund is a major fund providing for the purchase of capital assets for the Township's Fire Department pursuant to its Capital Improvement Plan. It is funded with fees obtained from the rental of cell phone towers located on Township properties and fees negotiated with tax exempt organizations for the provision of fire protection services, obviating the need to use tax revenue for these expensive purchases. This year the fund expended \$330,823 for a new fire truck.

Farmland Preservation Fund

This Fund recognizes the collection of property taxes and expenditures for the preservation of farmlands in the Township. This was the first year in which tax revenue was collected for this Fund resulting in an increase in the fund balance of \$270,434. Taxes levied in December 2004 were recognized as income in 2005. Expenditures this year were largely for payment of \$37,640 for contracted services for a purchase of development rights currently in process.

Water and Sewer Fund

This is the Township's major business fund. This fund spent \$45,885 for system capital improvements and equipment. The City of Ann Arbor significantly increased the rates it charges to the Township for sewer and water services in 2005. Because the Water and Sewer Fund had adequate reserves from previous years' activities, the Township elected to absorb the increased costs and use some of those reserves, instead of passing the cost on to Township residents. This decision resulted in the fund's net loss of \$435,446, which included depreciation expense of \$376,487.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Township's governmental funds purchased \$337,093 of new capital assets during the year. This included \$330,823 for Fire Department equipment and \$6,250 for voting equipment. The business fund spent \$45,885 for utility system improvements and equipment.

The Township did not incur any debt in any fund during the year ending December 31, 2005. As of year end, the Township has no outstanding long-term debt.

ECONOMIC CONDITIONS AND FUTURE ACTIVITIES

The State's economy continues to stagnate. The attempt to balance the State budget has resulted in a reduction in State revenue sharing over the last several years, and the appropriation by the State of sources of revenue that were previously sources of Township revenue. The State shares a percentage of collected sales tax with local governments, including townships. Ann Arbor Township's portion of that revenue sharing has decreased \$40,000 over the last three years from \$336,899 in 2002 to \$294,887 in 2005. The Township anticipates further reductions in state revenue sharing due to the declining economic environment. In addition, the State has appropriated fees that townships used to be able to charge to utilities for use of the rights-of-way. The State now collects such fees and rebates a small portion of them back to the townships. In addition, currently legislation is proposed that would also prohibit local governments, including townships from collecting franchise fees from cable companies.

Expenses continue to rise. The most dramatic increase will be seen in the cost of providing police protection through the Washtenaw County Sheriff's Department. By 2008, the cost we incur for four contract deputies will rise 88% over the cost for the same number of deputies in 2002. The Township is exploring options other than contracting with the County for providing for the safety of its' residents.

Moreover, the result of the 1994 Boundary Policy Agreement with the City of Ann Arbor will be increasingly felt. This year twenty two parcels were released to the City pursuant to the 1994 agreement. More will be lost in 2006, and more than 100 additional parcels will have to be released in 2007. Moreover, the 1994 agreement provides that after January 1, 2008, the City can annex most Township parcels that are within the freeway - Huron River ring. The Township is carefully studying the long-term effects of this annexation and preparing for a financially secure future.

Washtenaw County has decided to very significantly reduce its support for Sheriff's deputies contracted for by the townships to provide police protection. As a result, by 2008 the cost of Ann Arbor Township's four contract deputies will increase approximately 88% over the cost of the same services in 2002. To date, the cost of contract deputies has been borne by the General Fund. The General Fund cannot, however, continue to pay for police services given the extent of the increases. The Township will propose a separate Public Safety millage to support police protection and fire services that have been supported by the fire millage that expires at the end of 2006.

The Township is engaged in an on-going review of the fees that it charges to developers who have projects under construction to assure that it fully recovers those costs.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This report is designed to provide a general overview of the Township's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information, please contact the Charter Township of Ann Arbor at 3792 Pontiac Trail, Ann Arbor, MI 48105; telephone 734-663-3418.

BASIC FINANCIAL
STATEMENTS

GOVERNMENT-WIDE
FINANCIAL
STATEMENTS

CHARTER TOWNSHIP OF ANN ARBOR
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-</u>	
	<u>Activities</u>	<u>type</u>	
		<u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
ASSETS			
Cash and investments	\$ 4,318,873	\$ 5,880,813	\$ 10,199,686
Receivables			
Accounts	17,026	182,214	199,240
Assessments	36	1,239	1,275
Taxes	1,007,714		1,007,714
Interest	34,720	78,490	113,210
State shared revenues	46,027		46,027
Intergovernmental	630,542	40,000	670,542
Prepaid expenses	20,149	1,174	21,323
Capital assets:			
Land	80,000		80,000
Buildings and improvements	1,953,250		1,953,250
Utility systems		17,850,531	17,850,531
Vehicles and equipment	1,749,625		1,749,625
Less accumulated depreciation	<u>(1,454,031)</u>	<u>(6,176,575)</u>	<u>(7,630,606)</u>
Total assets	<u>8,403,931</u>	<u>17,857,886</u>	<u>26,261,817</u>
<u>LIABILITIES</u>			
LIABILITIES			
Accounts payable	97,293	259,538	356,831
Accounts payable - intergovernmental		15,406	15,406
Accrued wages/pension	7,787		7,787
Accrued potential litigation	72,214		72,214
Accrued compensated absences	67,207	16,832	84,039
Deferred revenues	<u>1,764,888</u>		<u>1,764,888</u>
Total liabilities	<u>2,009,389</u>	<u>291,776</u>	<u>2,301,165</u>
<u>NET ASSETS</u>			
NET ASSETS			
Invested in capital assets, net of related debt	2,328,844	11,673,956	14,002,800
Unrestricted	<u>4,065,698</u>	<u>5,892,154</u>	<u>9,957,852</u>
Total net assets	<u>\$ 6,394,542</u>	<u>\$ 17,566,110</u>	<u>\$ 23,960,652</u>

The notes of the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF ANN ARBOR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities			
General government	\$ (824,730)	\$ 534,280	\$ 9,510
Fire protection	(1,030,676)	23,382	65,806
Police protection	(354,280)		
Streetlighting	(4,066)	3,905	
Public works	<u>(73,235)</u>	<u> </u>	<u> </u>
Total governmental activities	<u>(2,286,987)</u>	<u>561,567</u>	<u>75,316</u>
Business-type activities			
Water	<u>(1,537,766)</u>	<u>927,335</u>	<u> </u>
Total	<u>\$ (3,824,753)</u>	<u>\$ 1,488,902</u>	<u>\$ 75,316</u>

General revenues
Property taxes
State shared revenues
Franchise fees
Rental income
Unrestricted investment earnings
Disposal of assets
Other income

Total general revenues

Changes in net assets

Net assets, January 1, 2005

Net assets, December 31, 2005

The notes of the financial statements are an integral part of this statement.

Net (Expenses) Revenue and Changes Net Assets		
Governmental Activities	Business- type Activities	Total
\$ (280,940)	\$	\$ (280,940)
(941,488)		(941,488)
(354,280)		(354,280)
(161)		(161)
(73,235)		(73,235)
<u>(1,650,104)</u>		<u>(1,650,104)</u>
	<u>(610,431)</u>	<u>(610,431)</u>
<u>(1,650,104)</u>	<u>(610,431)</u>	<u>(2,260,535)</u>
1,525,592		1,525,592
294,887		294,887
55,452		55,452
119,857		119,857
134,538	174,984	309,522
28,500		28,500
19,470		19,470
<u>2,178,296</u>	<u>174,984</u>	<u>2,353,280</u>
528,192	(435,447)	92,745
<u>5,866,350</u>	<u>18,001,557</u>	<u>23,867,907</u>
<u>\$ 6,394,542</u>	<u>\$ 17,566,110</u>	<u>\$ 23,960,652</u>

FUND
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CHARTER TOWNSHIP OF ANN ARBOR
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	<u>General Fund</u>	<u>Fire Fund</u>
<u>ASSETS</u>		
ASSETS		
Cash and cash equivalents	\$ 2,435,273	\$ 522,443
Accrued interest receivable	34,720	
Taxes receivable	259,584	552,842
SAD receivable		
State shared revenue receivable	46,027	
Accounts receivable other	17,026	
Due from other funds	219,097	362,347
Prepaid expense	<u>969</u>	<u>19,180</u>
Total assets	<u>\$ 3,012,696</u>	<u>\$ 1,456,812</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
LIABILITIES		
Accounts payable	\$ 70,236	\$ 23,990
Accrued payroll	7,787	
Accrued potential litigation	72,214	
Accrued compensated absences		59,144
Deferred revenue	507,564	900,487
Due to other funds	<u>16,977</u>	<u>5,297</u>
Total liabilities	674,778	988,918
FUND BALANCE	<u>2,337,918</u>	<u>467,894</u>
Total liabilities and fund balance	<u>\$ 3,012,696</u>	<u>\$ 1,456,812</u>

The notes of the financial statements are an integral part of this statement.

<u>Capital Improvement Fund</u>	<u>Farmland Preservation Fund</u>	<u>Building and Street Light</u>	<u>Total</u>
\$ 585,783	\$ 266,926	\$ 508,448	\$ 4,318,873
			34,720
	195,288		1,007,714
		36	36
			46,027
			17,026
	130,236		711,680
			20,149
<u>\$ 585,783</u>	<u>\$ 592,450</u>	<u>\$ 508,484</u>	<u>\$ 6,156,225</u>

\$	\$ 538	\$ 2,529	\$ 97,293
			7,787
			72,214
		8,063	67,207
30,928	318,089	7,820	1,764,888
<u>30,928</u>	<u>40,012</u>	<u>18,852</u>	<u>81,138</u>
30,928	358,639	37,264	2,090,527
<u>554,855</u>	<u>233,811</u>	<u>471,220</u>	<u>4,065,698</u>
<u>\$ 585,783</u>	<u>\$ 592,450</u>	<u>\$ 508,484</u>	<u>\$ 6,156,225</u>

CHARTER TOWNSHIP OF ANN ARBOR
RECONCILIATION OF STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
DECEMBER 31, 2005

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet		\$ 4,065,698
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Historical cost	\$ 3,782,875	
Depreciation	<u>(1,454,031)</u>	
Capital assets net of depreciation		<u>2,328,844</u>
Net assets of governmental activities		<u>\$ 6,394,542</u>

The notes of the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF ANN ARBOR
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	General Fund	Fire Fund	Capital Improvement Fund
REVENUES			
Taxes	\$ 350,714	\$ 868,518	\$
Tax collection fees	138,919		
State revenue sharing	294,887		
Special assessments			
Fees and service	28,205		
Cable franchise fees	55,452		
Metro fees	6,520		
Annexation fees	10,700		
Fines	3,621		
Service contract	117,058		62,173
Building permits			
Grant	9,510	65,806	
Charges for services		23,382	
Reimbursements	2,775		
Interest	86,804	20,306	14,039
Penalties and interest	2,323		
Rental income	46,950		72,907
Miscellaneous	6,555	9	7,308
Donations		500	
Surplus property			28,500
	<u>1,160,993</u>	<u>978,521</u>	<u>184,927</u>
Total revenues			
EXPENDITURES			
Board of trustees	20,393		
Supervisor	85,069		
Accounting and audit	8,924		
Election	5,824		
Assessor	71,666		
Legal counsel	171,145		
Clerk	96,225		
Treasurer	86,314		
Buildings and grounds	15,211		
Central charges	64,986		
Sheriff department	354,280		
Planning commission	42,483		
Zoning board of appeals	22,534		
Roads	35,595		
Other	2,015		
Fire protection		904,442	
Building department			
Street lighting			
Capital improvement			330,849
Farmland preservation			
	<u>1,082,664</u>	<u>904,442</u>	<u>330,849</u>
Total expenditures			
Excess of revenues over (under) expenditures	78,329	74,079	(145,922)
FUND BALANCE, JANUARY 1, 2005	<u>2,259,589</u>	<u>393,815</u>	<u>700,777</u>
FUND BALANCE, DECEMBER 31, 2005	<u>\$ 2,337,918</u>	<u>\$ 467,894</u>	<u>\$ 554,855</u>

The notes of the financial statements are an integral part of this statement.

<u>Farmland Preservation Fund</u>	<u>Building and Street Light Fund</u>	<u>Total</u>
\$ 306,360	\$	\$1,525,592
		138,919
		294,887
	3,905	3,905
		28,205
		55,452
		6,520
		10,700
		3,621
		179,231
	167,084	167,084
		75,316
		23,382
		2,775
1,714	11,675	134,538
		2,323
		119,857
		13,872
		500
		<u>28,500</u>
<u>308,074</u>	<u>182,664</u>	<u>2,815,179</u>
		20,393
		85,069
		8,924
		5,824
		71,666
		171,145
		96,225
		86,314
		15,211
		64,986
		354,280
		42,483
		22,534
		35,595
		2,015
		904,442
	118,941	118,941
	4,066	4,066
		330,849
<u>37,640</u>		<u>37,640</u>
<u>37,640</u>	<u>123,007</u>	<u>2,478,602</u>
270,434	59,657	336,577
<u>(36,623)</u>	<u>411,563</u>	<u>3,729,121</u>
<u>\$ 233,811</u>	<u>\$ 471,220</u>	<u>\$4,065,698</u>

CHARTER TOWNSHIP OF ANN ARBOR
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances – governmental funds	\$ 336,577
Governmental funds report capital outlay as expenditures. However, In the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which capital outlay exceeded depreciation is as follows:	
Capital outlay	\$ 337,073
Depreciation expense	<u>(145,458)</u>
Total	<u>191,615</u>
Change in net assets of governmental activities	<u>\$ 528,192</u>

The notes of the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF ANN ARBOR
STATEMENT OF NET ASSETS
WATER AND SEWER FUND
DECEMBER 31, 2005

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 3,817,634
Accounts Receivable	173,643
Special assessments receivable	1,239
Interest receivable	78,490
Prepaid expenses	1,174
Due from other funds	40,000
Due from others	<u>8,571</u>

Total current assets \$ 4,120,751

RESTRICTED ASSETS

Cash and cash equivalents 2,063,179

PROPERTY, PLANT AND EQUIPMENT

Water and sewer system	15,131,424
Equipment	<u>2,719,107</u>

Total 17,850,531

Less accumulated depreciation 6,176,575

Net property, plant and equipment 11,673,956

Total assets 17,857,886

LIABILITIES

CURRENT LIABILITIES

Accounts payable	259,538
Accrued compensated absences and pension	16,832
Due to other funds	<u>15,406</u>

Total current liabilities 291,776

NET ASSETS

NET ASSETS

Invested in capital assets	6,663,826
Unrestricted	<u>10,902,284</u>

Total net assets \$17,566,110

The notes of the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF ANN ARBOR
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Total</u>
OPERATING REVENUES	
Charges for services and meters	<u>\$ 885,885</u>
OPERATING EXPENSES	
Purchases of water and sewer	824,803
Wages	71,319
Insurance – employees	19,942
Pension	5,314
Payroll taxes	4,921
Office	2,194
Printing	1,372
Gasoline and diesel	2,239
Consultants	14,008
Legal and accounting	40,763
Dues and memberships	1,463
Service contracts	8,074
Utilities and telephone	15,920
Insurance and bonds	17,181
Repairs and maintenance	79,661
Building, office and personnel allocation	19,062
Small equipment	3,593
Depreciation expense	<u>376,487</u>
Total operating expenses	<u>1,508,316</u>
Operating (loss)	<u>(622,431)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income - special assessments	293
Interest income - investments	174,691
Connections fees	41,450
Connection services (expense)	<u>(29,450)</u>
Total other revenues/expenses	<u>186,984</u>
Change in net assets	(435,447)
Net Assets , January 1, 2005	<u>18,001,557</u>
Net Assets, December 31, 2005	<u>\$ 17,566,110</u>

The notes of the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF ANN ARBOR
STATEMENT OF CASH FLOWS
WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

CASH FLOWS FROM (USED - IN) OPERATING ACTIVITIES

Receipts from customers	\$ 905,712
Payments to employees	(71,319)
Payments to vendors	<u>(935,323)</u>

Net cash (used in) operating activities \$ (100,930)

CASH FLOWS FROM (USED - IN) CAPITAL AND RELATED
FINANCING ACTIVITIES

Special assessment interest	293
Connection fees, net - city	12,000
Acquisition of property, plant and equipment	<u>(45,885)</u>

Net cash (used in) capital and related
financing activities (33,592)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income 174,691

Increase in cash 40,169

CASH AT JANUARY 1, 2005 5,840,644

CASH AT DECEMBER 31, 2005 \$ 5,880,813

RECONCILIATION OF OPERATING INCOME
TO NET CASH FROM (USED - IN) OPERATING ACTIVITIES

Operating (loss)	\$ (622,431)
Adjustments to reconcile operating (loss) to net cash from (used in) operating activities	
Depreciation expense	376,487
Changes in assets and liabilities	
(Increase) in prepaid expenses	(1,174)
(Increase) in due from others	(8,571)
Decrease in accounts receivable	19,827
Decrease in assessments receivable	1,238
Decrease in interest receivable	25,770
Increase in accounts payable	113,420
Increase in due to other funds	4,807
Increase in accrued compensated absences	6,737
(Decrease) in accrued connection fees	<u>(17,040)</u>

Net cash (used in) operating activities \$ (100,930)

The notes of the financial statements are an integral part of this statement.

NOTES
TO
FINANCIAL
STATEMENTS

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter Township of Ann Arbor was incorporated August 11, 1986, under the provision of Act 359 of the Public Acts of 1947, as amended. The policies of the Charter Township of Ann Arbor conform to generally accepted accounting principles as applicable to governments.

The accounting and reporting policies of the Township relating to the funds and account groups included in the accompanying combined financial statements conform to generally accepted accounting principles applicable to state and local governments. The more significant accounting policies of the Township are described below.

A. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations or other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally the Township would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Government-Wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Township are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for governmental funds and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds, are combined in a single column on the fund financial statements.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for all the activity associated with providing fire protection services. This fund is primarily supported through the collection of property taxes.

The Capital Improvement Fund accounts for the savings for future capital improvements.

The Farmland Preservation Fund was created to account for funds used to preserve/maintain the Township's farmland.

The Township reports the following major proprietary fund:

The Sewer and Water Fund accounts for all the activity associated with the operations and maintenance of operating a treatment system.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues, charges for services, fines, forfeits and penalties, and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Township's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary funds financial statements are prepared on the same basis (economic resources, measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary funds financial statements.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds account for operations where the intent of the Township is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for any activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges of the activity, or 3) it is the policy of the Township to establish activity fees or charges to recover the cost of providing services, including capital costs.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Township has elected for proprietary funds not to apply Financial Accounting Standards Board statements issued after November 30, 1989.

Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township programs. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township programs. The Township currently maintains an agency fund to account for the monies collected and paid on behalf of developer's escrow accounts.

C. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Township) are defined as assets with an initial, individual cost of more than \$5,000) and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Real property is considered a capital asset regardless of initial cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	5 to 50 years
Utility plant	5 to 50 years
Machinery and equipment	2 to 40 years
Infrastructure	25 to 75 years

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

D. ACCRUED COMPENSATED ABSENCES

The Township has recorded a liability for compensated absences. The policies regarding compensated absences are outlined in the Township's "Rules of Employment".

E. BUDGETARY DATA

The board of trustees follow the procedures as outlined in the Uniform Budgeting Manual for Local Units of Government in Michigan in the establishment of the various annual budgets.

The supervisor prepares the annual budgets through information received by the clerk's office. The proposed budget is then submitted for discussion and approved by the entire Township board. The budget is approved by activity rather than line item. If and when it becomes necessary to amend certain amounts in the budget, a proposal outlining the desired changes is made to and approved by the Township board at any of their regular meetings. Budget appropriations made, but not expended by year end, will lapse with the fiscal year end.

F. PROPERTY TAXES

Property tax revenues are recognized in the subsequent year, for which the taxes are levied. Property taxes are levied on December 1 each year. These taxes become liens on the property at that date. These taxes are due on February 14, with the final collection date of February 28. The delinquent real property taxes of the Township are purchased by Washtenaw County. The county sells tax notes, the proceeds of which are used to pay the township for these property taxes. This has yet to take place. The 2004 adjusted taxable value of the Township totaled \$428,738,198. The township levies the following millage:

General township	.7998
Fire	1.9817
Farmland preservation	<u>.7000</u>
Total millage	<u>3.4815</u>

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The 2005 taxable value of the township totaled \$453,482,200. The township levied the following millage that will be recognized in 2006.

General township	.7842
Fire	1.9431
Farmland preservation	<u>.6864</u>
Total millage	<u>3.4137</u>

Michigan personal property tax assessments have been based, since the 1960's, on the use of one or more different multiplier tables formulated by the State Tax Commission against taxpayer reported original cost, depending on the assessor's view of the average life of the personal property. The State Tax Commission has indicated that it plans to reformulate the multipliers. The State Tax Tribunal has informally indicated that once the new multipliers are approved, it may allow them to be applied retroactively in pending personal property tax appeals.

G. OTHER FINANCING SOURCES (USES)

The transfers of cash between the various funds are budgeted but reported separate from revenues and expenditures as transfers in or (out) unless they represent temporary advances that are to be repaid, in which case they are carried as assets or liabilities of the advancing or borrowing fund.

H. INVESTMENTS

Investments are stated at lower of cost or market.

I. TOTAL COLUMNS ON STATEMENTS - OVERVIEW

Total columns on the statements which combine more than one fund – (overview) are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

J. MANAGEMENT'S ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal Agency obligation repurchase agreements; bankers acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's deposits are as follows:

The Township maintains a petty cash account in the amount of \$150.

<u>Deposits</u>	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>	<u>Bank Balance</u>
Insured	\$ 943,201	\$	\$ 943,201	\$ 943,201
Uninsured and uncollateralized	<u>9,256,484</u>	<u>2,603,764</u>	<u>11,860,248</u>	<u>11,605,234</u>
Total deposits	<u>\$ 10,199,685</u>	<u>\$ 2,603,764</u>	<u>\$ 12,803,449</u>	<u>\$ 12,548,435</u>

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the governmental funds for the year ended December 31, 2005 was as follows:

	<u>Balance 1/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/05</u>
Land	\$ 492,500	\$	\$	\$ 492,500
General government				
Building fund	43,000			43,000
Fire protection	3,017,302	330,823	(107,000)	3,241,125
Construction in progress	<u> </u>	<u>6,250</u>	<u> </u>	<u>6,250</u>
Total capital assets	3,552,802	337,073	(107,000)	3,782,875
Accumulated depreciation	<u>(1,415,573)</u>	<u>(145,458)</u>	<u>107,000</u>	<u>(1,454,031)</u>
Governmental funds				
capital assets, net	<u>\$ 2,137,229</u>	<u>\$ 191,615</u>	<u>\$</u>	<u>\$ 2,328,844</u>

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 3 - CAPITAL ASSETS (continued)

Depreciation expense is being recorded in the government-wide statement of activities based upon the fund and activity utilizing the assets. The Township utilizes the straight line method to depreciate capital assets over their estimated useful lives.

Depreciation expense was distributed to the various activities as follows:

General government	\$ 10,650
Fire protection	126,208
Building department	<u>8,600</u>
Total	<u>\$ 145,458</u>

A summary of changes in fixed assets and depreciation for the enterprise fund is as follows:

	<u>WATER & SEWER</u>		
	<u>Balance 1/1/05</u>	<u>Additions</u>	<u>Balance 12/31/05</u>
Sewer system	\$ 5,999,485	\$ 15,800	\$ 6,015,285
Water system	9,092,639	23,500	9,116,139
Utility equipment	<u>2,712,522</u>	<u>6,585</u>	<u>2,719,107</u>
Total capital assets	17,804,646	45,885	17,850,531
Accumulated depreciation	<u>(5,800,087)</u>	<u>(376,487)</u>	<u>(6,176,574)</u>
Governmental activities capital assets, net	<u>\$ 12,004,559</u>	<u>\$ (330,602)</u>	<u>\$ 11,673,957</u>

Depreciation is charged as an expense against operations.

Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water and Sewer Systems	50 years
Equipment	5 & 10 years

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables exist at December 31, 2005. These represent short-term borrowings and amounts owed for reimbursements between other funds.

As of December 31, 2005 the following interfund balances were still payable.

	<u>Interfund Receivable</u>		<u>Interfund Payable</u>
General Fund	\$ 15,406	Water and Sewer	\$ 15,406
General Fund	16,702	Building Fund	16,702
General Fund	499	Trust and Agency Fund	499
Fire Fund	347,646	Tax Collection Fund	347,646
General Fund	165,588	Tax Collection Fund	165,588
General Fund	20,890	Escrow Fund	20,890
Farmland Preservation	122,801	Tax	122,801
Water and Sewer	40,000	Farmland Preservation	40,000
General	12	Farmland	12
Fire	14,701	General	14,701
Payroll	138	General	138
Farmland	5,297	Fire	5,297
Farmland	2,138	General	2,138
Escrow	<u>2,150</u>	Building	<u>2,150</u>
Total	<u>\$ 753,968</u>	Total	<u>\$ 753,968</u>

NOTE 5 - STATEMENT OF CASH FLOWS

Pursuant to the Governmental Accounting Standards Board (GASB) statement number 9, a statement of cash flows is presented. The purpose of the statement of cash flows is to explain the change in cash and cash equivalents during the year. Cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less. The direct method was utilized to represent cash flows from operations. The following is a schedule of beginning and ending cash and cash equivalents:

	<u>12/31/04</u>	<u>12/31/05</u>
Current assets		
Cash and cash equivalents	<u>\$ 5,840,644</u>	<u>\$ 5,880,813</u>

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 6 - PENSION PLAN - DEFINED CONTRIBUTION PLAN

On May 15, 1989, the Charter Township of Ann Arbor signed a single employer defined contribution pension plan and trust agreement with Massachusetts Mutual Life Insurance Company in order to establish a pension plan which will provide retirement and incidental life insurance benefits for its employees. The effective date of this plan was August 1, 1989.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits a participant will receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns on the investments of those contributions.

Employees currently eligible for participation in the plan include all officers of the Charter Township of Ann Arbor including the Supervisor, Treasurer and Clerk and all Township employees who are employed at least twenty hours per week on a regular basis.

Employees currently eligible must be eighteen years of age. Hours of service is computed on the basis of actual hours for which an employee is paid or entitled payment.

No pension provision changes occurred during the year that affected the required contributions to be made.

There are no investments in, loans to, or leases with parties to pension plan or plan officials.

The plan year is January 1 through December 31.

In the event of termination of employment or participation of a participant prior to his or her normal retirement age, the vested interest in that portion of his or her participant's account derived from employer contributions is 100%.

The township is required to contribute 10% of compensation per participant. There is no mandatory employee contribution.

Normal retirement age of a participant shall be his sixty-fifth birthday. Retirement prior to normal retirement age will be permitted upon the attainment of age fifty-five and the completion of one year of service.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 6 - PENSION PLAN - DEFINED CONTRIBUTION PLAN (continued)

A summary of the most recent available plan's activity for the period January 1, 2005 to December 31, 2005 is as follows:

BALANCE IN GUARANTEED ACCOUNT, JANUARY 1, 2005	\$ 979,844
Contributions	72,976
Withdrawals	(68,434)
Investment Income	<u>64,277</u>
 BALANCE IN GUARANTEED ACCOUNT, DECEMBER 31, 2005	 <u>\$ 1,048,663</u>

The Township made contributions totaling \$72,976 for the year ended December 31, 2005. Total covered payroll was \$766,606 and total payroll was \$867,147 for the year ended December 31, 2005.

NOTE 7 - POTENTIAL LOST TAX REVENUES - ANNEXATION

The Township and the City of Ann Arbor have been negotiating annexation of certain Township properties into the city so that each community may systematically plan for the provision of services to its areas. Management for the Township has been estimating the lost tax revenue to the Township because of the annexation activities. Management is estimating under a worse case scenario the annual loss could be as high as \$213,000 for the year 2007. The annual loss could go up to \$235,000 for the year 2012.

NOTE 8 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township maintains a proprietary fund which is financed by user charges. Segment information as of December 31, 2005 follows:

	<u>Water and Sewer System</u>
Operating revenues	\$ 885,885
Depreciation	376,487
Operating (loss)	(622,431)
Interest and other non-operating revenues and (expenses)	186,984
Change in net assets	(435,447)
 Current assets	 4,120,751
Current liabilities	291,776
Net working capital	3,828,975
 Total assets	 17,857,886
Total liabilities	291,776
Net assets	17,566,110

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

As mentioned in Note #10, the Township is also exposed to losses relating to litigation of zoning issues. Due to the high premiums for zoning insurance (\$25,000 annually) and the low protection received (\$100,000 limited annual coverage with a \$25,000 deductible) the Township Board approved to self insure the Township for zoning litigation. For 2005, \$175,000 of the general fund's fund balance was reserved for zoning litigation.

NOTE 10 - CONTINGENCIES

The Township is involved in various legal actions arising in the normal course of business, mostly related to zoning issues. Management is of the opinion the various legal actions except for one will not have a material effect upon the financial statements. Management has accrued for one case approximately \$72,000 in its general fund as a contingent liability. Management believes there is a 50% chance of winning or losing.

NOTE 11 - FEDERAL GRANT ACTIVITIES

The Township has been a recipient of a federal grant for capital equipment for fire protection. There was \$65,806 received in the current year. However, these funds and funds received in a prior year may still be subject to federal grant audit requirements.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 12 - RECONCILIATION OF FUND FINANCIAL STATEMENTS
TO GOVERNMENT - WIDE FINANCIAL STATEMENTS**

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Total fund balance per balance sheet	\$ 4,065,698
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Historical cost	\$3,782,875
Depreciation	<u>(1,454,031)</u>
Capital assets net of depreciation	<u>2,328,844</u>
Net assets of governmental activities	<u>\$ 6,394,542</u>

Amounts reported for governmental activities in the Statement of Activities
are different because:

Net change in fund balances – governmental funds	\$ 336,577
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which capital outlay exceeded depreciation is as follows:	
Capital outlay	\$ 337,073
Depreciation expense	<u>(145,458)</u>
Total	<u>191,615</u>
Change in net assets of governmental activities	<u>\$ 528,192</u>

REQUIRED
SUPPLEMENTARY
INFORMATION

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgets			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Taxes	\$	\$	\$ 350,714	\$
Tax collection fees			138,919	
State revenue sharing			294,887	
Planning commission fees			14,400	
Zoning board of appeals			2,000	
Fees and services			11,805	
Cable TV – franchise fees			55,452	
Metro fees			6,520	
Annexation fees			10,700	
Sale of books, maps, etc.			1,459	
Fines and tickets			3,621	
Interest			86,804	
Penalties and interest			2,323	
Rental income			46,950	
Miscellaneous			17,381	
Police services contract			117,058	
Total revenues	<u>1,078,080</u>	<u>1,119,227</u>	<u>1,160,993</u>	<u>41,766</u>
EXPENDITURES				
Board of Trustees	22,452	21,652	20,393	1,259
Supervisor	99,324	86,910	85,069	1,841
Accounting and audit	8,109	8,300	8,924	(624)
Election	14,000	4,000	5,824	(1,824)
Assessor	66,521	66,500	71,666	(5,166)
Legal counsel	37,200	94,000	171,145	(77,145)
Clerk	107,993	98,874	96,225	2,649
Board of review	1,000	1,000		1,000
Treasurer	69,781	78,000	86,314	(8,314)
Buildings and grounds	17,713	17,613	15,211	2,402
Central charges	78,073	63,903	64,986	(1,083)
Sheriff department	380,540	380,540	354,280	26,260
Planning commission	19,333	44,093	42,483	1,610
Zoning board of appeals	20,911	23,600	22,534	1,066
Consultants	6,000			
Roads	50,000	50,000	35,595	14,405
Other		1,400	2,015	(615)
Total expenditures	<u>998,950</u>	<u>1,040,385</u>	<u>1,082,664</u>	<u>(42,279)</u>
Excess of revenues over (under) expenditures	79,130	78,842	78,329	(513)
FUND BALANCE, JANUARY 1, 2005	<u>2,259,589</u>	<u>2,259,589</u>	<u>2,259,589</u>	
FUND BALANCE, DECEMBER 31, 2005	<u>\$ 2,338,719</u>	<u>\$ 2,338,431</u>	<u>\$ 2,337,918</u>	<u>\$ (513)</u>

CHARTER TOWNSHIP OF ANN ARBOR
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgets		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes	\$	\$	\$ 868,518	\$
Grant			65,806	
Charges for services			23,382	
Donations			500	
Miscellaneous			9	
Interest			20,306	
Total revenues	<u>890,095</u>	<u>888,438</u>	<u>978,521</u>	<u>90,083</u>
EXPENDITURES				
Department head - wages			67,434	
Assistant chief salaries			1,404	
Permanent - salaries			322,149	
Part time – wages			10,826	
Over time			62,936	
Holiday, sick and vacation – wages			6,578	
Medical			80,484	
Life insurance			11,796	
Dental insurance			9,475	
Pension			45,552	
Payroll taxes			39,271	
Employment physicals			1,340	
Paid on-call			44,973	
Office supplies			838	
Printing and binding			333	
Fire fighting supplies			18,784	
Uniform allowances			3,644	
Gasoline			11,230	
Janitorial supplies			1,700	
Audit/accounting			3,000	
Subscriptions and books			168	
Membership and dues			1,960	
Legal			3,642	
Service contracts			16,155	
Telephone			3,419	
Convention and conferences			644	
Insurance and bonds			51,068	
Electricity			11,750	
Heating			5,580	
Water and sewer usage			558	
Repairs and maintenance – building			6,602	
Repairs and maintenance - equipment			22,353	
Ground care maintenance			184	
Training and improvements			2,710	
Tax chargebacks			15,682	
Small equipment			1,779	
Grant expenses			14,059	
Office furniture and equipment			1,916	
Miscellaneous			466	
Total expenditures	<u>872,810</u>	<u>884,375</u>	<u>904,442</u>	<u>(20,067)</u>
Excess of revenues over (under) expenditures	17,285	4,063	74,079	70,016
FUND BALANCE, JANUARY 1, 2005	<u>393,815</u>	<u>393,815</u>	<u>393,815</u>	

FUND BALANCE, DECEMBER 31, 2005

\$ 411,100

\$ 397,878

\$ 467,894

\$ 70,016

CHARTER TOWNSHIP OF ANN ARBOR
CAPITAL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgets			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Service contract	\$	\$	\$ 62,173	\$
Surplus property			28,500	
Interest			14,039	
Miscellaneous reimbursement				
Rental income			72,907	
Total revenues	140,403	149,903	184,927	35,024
EXPENDITURES				
Capital outlay			330,823	
Office supplies			26	
Total	315,000	325,000	330,849	(5,849)
Excess of revenues over (under) expenditures	(174,597)	(175,097)	(145,922)	29,175
FUND BALANCE, JANUARY 1, 2005	700,777	700,777	700,777	
FUND BALANCE, DECEMBER 31, 2005	\$ 526,180	\$ 525,680	\$ 554,855	\$ 29,175

CHARTER TOWNSHIP OF ANN ARBOR
FARMLAND PRESERVATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgets			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Taxes	\$	\$	\$ 306,360	
Interest			1,714	
Total revenues	<u>308,776</u>	<u>308,190</u>	<u>308,074</u>	<u>(116)</u>
EXPENDITURES				
Legal fees			25,630	
Consultants			8,589	
Service contracts			3,200	
Advertising			221	
Total expenditures	<u>36,993</u>	<u>36,850</u>	<u>37,640</u>	<u>(790)</u>
Excess of revenues over (under) expenditures	271,783	271,340	270,434	(906)
FUND BALANCE, JANUARY 1, 2005	<u>(36,623)</u>	<u>(36,623)</u>	<u>(36,623)</u>	
FUND BALANCE, DECEMBER 31, 2005	<u>\$ 235,160</u>	<u>\$ 234,717</u>	<u>\$ 233,811</u>	<u>\$ (906)</u>

SUPPLEMENTARY
INFORMATION

COMBINING
FINANCIAL
STATEMENTS

CHARTER TOWNSHIP OF ANN ARBOR
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
DECEMBER 31, 2005

	<u>Fire Fund</u>	<u>Building Department Fund</u>	<u>Street Lighting Fund</u>
<u>ASSETS</u>			
ASSETS			
Cash and investments	\$ 522,443	\$ 503,583	\$ 4,865
Taxes receivable	552,842		
Special assessment receivable			36
Due from other funds	362,347		
Prepaid expense	<u>19,180</u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,456,812</u>	<u>\$ 503,583</u>	<u>\$ 4,901</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	\$ 23,990	\$ 1,871	\$ 658
Accrued compensated absences	59,144	8,063	
Deferred revenue	900,487	7,820	
Due to other funds	<u>5,297</u>	<u>18,852</u>	<u> </u>
Total liabilities	988,918	36,606	658
FUND BALANCE	<u>467,894</u>	<u>466,977</u>	<u>4,243</u>
Total liabilities and fund equity	<u>\$ 1,456,812</u>	<u>\$ 503,583</u>	<u>\$ 4,901</u>

<u>Capital Improvement Fund</u>	<u>Farmland Preservation Fund</u>	<u>Totals</u>
\$ 585,783	\$ 266,926	\$ 1,883,600
	195,288	748,130
		36
	130,236	492,583
		<u>19,180</u>
<u>\$ 585,783</u>	<u>\$ 592,450</u>	<u>\$ 3,143,529</u>

\$	\$ 538	\$ 27,057
		67,207
30,928	318,089	1,257,324
<u></u>	<u>40,012</u>	<u>64,161</u>
30,928	358,639	1,415,749
<u>554,855</u>	<u>233,811</u>	<u>1,727,780</u>
<u>\$ 585,783</u>	<u>\$ 592,450</u>	<u>\$ 3,143,529</u>

CHARTER TOWNSHIP OF ANN ARBOR
COMBINING BALANCE SHEET
ALL FIDUCIARY FUNDS
DECEMBER 31, 2005

	<u>Escrow Fund</u>	<u>Payroll Fund</u>	<u>Tax Collection Fund</u>	<u>Trust and Agency Fund</u>	<u>Total</u>
<u>ASSETS</u>					
ASSETS					
Cash and investments	\$ 265,956	\$ 314	\$ 2,336,994	\$ 499	\$ 2,603,763
Due from others	36,944	3			36,947
Due from other funds	<u>2,150</u>	<u>138</u>			<u>2,288</u>
Total assets	<u>\$ 305,050</u>	<u>\$ 455</u>	<u>\$ 2,336,994</u>	<u>\$ 499</u>	<u>\$ 2,642,998</u>
<u>LIABILITIES</u>					
LIABILITIES					
Accounts payable	\$ 20,890	\$ 455	\$ 636,035	\$ 499	\$ 657,424
Due to other funds	284,160		1,700,959		1,985,119
Due to others					
Total liabilities	<u>\$ 305,050</u>	<u>\$ 455</u>	<u>\$ 2,366,994</u>	<u>\$ 499</u>	<u>\$ 2,642,998</u>

CHARTER TOWNSHIP OF ANN ARBOR
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2005

	<u>Fire Fund</u>	<u>Building Department Fund</u>	<u>Street Lighting Fund</u>
REVENUES			
Taxes	\$ 868,518	\$	\$
Special assessments			3,905
Service contract			
Building permits		167,084	
Grant	65,806		
Donations	500		
Charges for services	23,382		
Interest	20,306	11,671	4
Rental income			
Miscellaneous	9		
Surplus property			
	<u>978,521</u>	<u>178,755</u>	<u>3,909</u>
Total revenues			
EXPENDITURES	<u>904,442</u>	<u>118,941</u>	<u>4,066</u>
Excess of revenues over (under) expenditures	74,079	59,814	(157)
FUND BALANCE, JANUARY 1, 2005	<u>393,815</u>	<u>407,163</u>	<u>4,400</u>
FUND BALANCE, DECEMBER 31, 2005	<u>\$ 467,894</u>	<u>\$ 466,977</u>	<u>\$ 4,243</u>

<u>Capital Improvement Fund</u>	<u>Farmland Preservation Fund</u>	<u>Totals</u>
\$	\$ 306,360	\$ 1,174,878
		3,905
62,173		62,173
		167,084
		65,806
		500
		23,382
14,039	1,714	47,734
72,907		72,907
7,308		7,317
<u>28,500</u>		<u>28,500</u>
<u>184,927</u>	<u>308,074</u>	<u>1,654,186</u>
 <u>330,849</u>	 <u>37,640</u>	 <u>1,395,938</u>
(145,922)	270,434	258,248
<u>700,777</u>	<u>(36,623)</u>	<u>1,469,532</u>
<u>\$ 554,855</u>	<u>\$ 233,811</u>	<u>\$ 1,727,780</u>

INDIVIDUAL
FUNDS

GENERAL
FUND

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
BALANCE SHEET
DECEMBER 31, 2005

ASSETS

ASSETS

Cash and investments	\$ 2,435,273
Accrued interest receivable	34,720
Taxes receivable	259,584
State shared revenue receivable	46,027
Accounts receivable - other	17,026
Due from other funds	219,097
Prepaid expense	<u>969</u>

Total assets \$ 3,012,696

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 70,236
Accrued potential litigation	72,214
Accrued payroll and related expenditures	7,787
Deferred revenue	507,564
Due to other funds	<u>16,977</u>

Total liabilities \$ 674,778

FUND BALANCE

Unreserved	2,162,918
Reserved	<u>175,000</u>

Total fund balance 2,337,918

Total liabilities and fund balance \$ 3,012,696

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$	\$ 350,714	\$
Tax collection fees		138,919	
State revenue sharing		294,887	
Planning commission fees		14,400	
Zoning board of appeals		2,000	
Fees and services		11,805	
Cable TV - franchise fees		55,452	
Metro fees		6,520	
Annexation fees		10,700	
Sale of books, maps, etc.		1,459	
Fines and tickets		3,621	
Interest		86,804	
Penalties and interest		2,323	
Rental income		46,950	
Election grant		9,510	
Miscellaneous		5,096	
Reimbursements		2,775	
Police services		<u>117,058</u>	
Total revenues	1,119,227	1,160,993	41,766
EXPENDITURES	<u>1,040,385</u>	<u>1,082,664</u>	<u>(42,279)</u>
Excess of revenues over (under) expenditures	78,842	78,329	(513)
FUND BALANCE, JANUARY 1, 2005	<u>2,259,589</u>	<u>2,259,589</u>	
FUND BALANCE, DECEMBER 31, 2005	<u>\$ 2,338,431</u>	<u>\$ 2,337,918</u>	<u>\$ (513)</u>

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
BOARD OF TRUSTEES			
Per diem - salaries	\$	\$ 5,110	\$
Payroll taxes		391	
Membership dues		12,678	
Service contracts		1,117	
Advertising		1,097	
		<u> </u>	<u> </u>
Total board of trustees	<u>21,652</u>	<u>20,393</u>	<u>1,259</u>
SUPERVISOR			
Department head - salary		54,100	
Medical		12,350	
Life insurance		1,737	
Dental insurance		1,102	
Pension		5,410	
Payroll taxes		4,168	
Personnel reallocation		4,656	
Supplies for resale		33	
Convention and conferences		199	
Mileage		1,314	
		<u> </u>	<u> </u>
Total supervisor	<u>86,910</u>	<u>85,069</u>	<u>1,841</u>
ACCOUNTING AND AUDIT			
Accounting		5,624	
Audit		3,300	
		<u> </u>	<u> </u>
Total accounting and audit	<u>8,300</u>	<u>8,924</u>	<u>(624)</u>
ELECTION			
Per Diem		2,982	
Supplies		2,842	
		<u> </u>	<u> </u>
Total election	<u>4,000</u>	<u>5,824</u>	<u>(1,824)</u>

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
(continued)
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
ASSESSOR			
Service contract		68,829	
Operating expense		<u>2,837</u>	
Total assessor	<u>66,500</u>	<u>71,666</u>	<u>(5,166)</u>
LEGAL COUNSEL			
Attorney fees/contingency	<u>94,000</u>	<u>171,145</u>	<u>(77,145)</u>
CLERK			
Department head - salary		35,300	
Permanent – salary		37,953	
Leave hours		618	
Medical		13,253	
Life insurance		2,679	
Dental insurance		1,536	
Pension		7,325	
Payroll taxes		6,398	
Personnel allocation		(9,430)	
Memberships and dues		92	
Mileage		51	
Conventions and conferences		210	
Miscellaneous		<u>240</u>	
Total clerk	<u>98,874</u>	<u>96,225</u>	<u>2,649</u>
BOARD OF REVIEW			
Per diem – wages	<u>1,000</u>		<u>1,000</u>

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
(continued)
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
TREASURER			
Department head - salary		37,250	
Permanent - salary		27,932	
Medical		17,588	
Life insurance		1,705	
Dental insurance		1,572	
Pension		4,787	
Payroll taxes		4,987	
Personnel allocation		(23,361)	
Membership and dues		10	
Mileage		1,407	
Tax charge backs		8,760	
Miscellaneous		280	
Tax billing service		3,397	
	<u> </u>	<u> </u>	<u> </u>
Total treasurer	<u>78,000</u>	<u>86,314</u>	<u>(8,314)</u>
BUILDINGS AND GROUNDS			
Service contracts		551	
Telephone		9,639	
Electricity		4,181	
Heating		1,713	
Repairs and maintenance - building		2,662	
Ground care and maintenance		2,100	
Miscellaneous		(8)	
Building allocation		(5,627)	
	<u> </u>	<u> </u>	<u> </u>
Total building and grounds	<u>17,613</u>	<u>15,211</u>	<u>2,402</u>

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
(continued)
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
CENTRAL CHARGES			
Office and supplies		4,144	
Postage		2,501	
Miscellaneous		3,819	
Service contracts		22,356	
Insurance and bonds		18,840	
Office equipment		15,760	
Computer software		15,580	
Office allocation		(18,014)	
Total central charges	<u>63,903</u>	<u>64,986</u>	<u>(1,083)</u>
SHERIFF DEPARTMENT			
Contract fee	<u>380,540</u>	<u>354,280</u>	<u>26,260</u>
PLANNING COMMISSION			
Per diem - wages		5,810	
Payroll taxes		445	
Consultants - planning		8,660	
Consultants - engineering		4,044	
Pre application		1,348	
Consultants - other		1,410	
Legal fees		16,829	
Advertising and publishing		490	
Service contracts		2,119	
Miscellaneous		350	
Office supplies		978	
Total planning commission	<u>44,093</u>	<u>42,483</u>	<u>1,610</u>

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
(continued)
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
ZONING BOARD OF APPEALS			
Personnel allocation		23,025	
Per Diem		300	
Leave hours		(816)	
Payroll taxes		25	
Total zoning board of appeals	<u>23,600</u>	<u>22,534</u>	<u>1,066</u>
ROADS			
Service contracts	<u>50,000</u>	<u>35,595</u>	<u>14,405</u>
OTHER			
Miscellaneous	<u>1,400</u>	<u>2,015</u>	<u>(615)</u>
Total expenditures	<u>\$ 1,040,385</u>	<u>\$ 1,082,664</u>	<u>\$ (42,279)</u>

FIRE
FUND

CHARTER TOWNSHIP OF ANN ARBOR
FIRE FUND
BALANCE SHEET
DECEMBER 31, 2005

ASSETS

ASSETS

Cash and investments	\$ 522,443
Taxes receivable	552,842
Prepaid expense	19,180
Due from other funds	<u>362,347</u>

Total assets \$ 1,456,812

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 23,990
Due to other funds	5,297
Accrued compensated absences	59,144
Deferred revenue	<u>900,487</u>

Total liabilities \$ 988,918

FUND BALANCE

467,894

Total liabilities and fund balance \$ 1,456,812

CHARTER TOWNSHIP OF ANN ARBOR
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$	\$ 868,518	\$
Grant		65,806	
Charges for services		23,382	
Donations		500	
Miscellaneous		9	
Interest		<u>20,306</u>	
Total revenues	888,438	978,521	90,083
EXPENDITURES	<u>884,375</u>	<u>904,442</u>	<u>(20,067)</u>
Excess of revenues over (under) expenditures	4,063	74,079	70,016
FUND BALANCE, JANUARY 1, 2005	<u>393,815</u>	<u>393,815</u>	
FUND BALANCE, DECEMBER 31, 2005	<u>\$ 397,878</u>	<u>\$ 467,894</u>	<u>\$ 70,016</u>

CHARTER TOWNSHIP OF ANN ARBOR
FIRE FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES			
Department head - wages	\$	\$ 67,434	\$
Assistant chief - salaries		1,404	
Permanent - salaries		322,149	
Part time - wages		10,826	
Overtime		62,936	
Holiday, sick and vacation - wages		6,578	
Medical		80,484	
Life insurance		11,796	
Dental insurance		9,475	
Pension		45,552	
Payroll taxes		39,271	
Employment physicals		1,340	
Paid on-call		44,973	
Office supplies		838	
Printing and binding		333	
Fire fighting supplies		18,784	
Uniform allowances		3,644	
Gasoline		11,230	
Janitorial supplies		1,700	
Audit/accounting		3,000	
Subscriptions and books		168	
Membership and dues		1,960	
Legal		3,642	
Service contracts		16,155	
Telephone		3,419	
Convention and conferences		644	
Insurance and bonds		51,068	
Electricity		11,750	
Heating		5,580	
Water and sewer useage		558	
Repairs and maintenance - building		6,602	
Repairs and maintenance - equipment		22,353	
Ground care maintenance		184	
Training and improvements		2,710	
Tax chargebacks		15,682	
Small equipment		1,779	
Grant expenses		14,059	
Office furniture and equipment		1,916	
Miscellaneous		466	
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	\$ 884,375	\$ 904,442	\$ (20,067)

BUILDING
DEPARTMENT
FUND

CHARTER TOWNSHIP OF ANN ARBOR
BUILDING DEPARTMENT FUND
BALANCE SHEET
DECEMBER 31, 2005

ASSETS

ASSETS

Cash and investments	\$ <u>503,583</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 1,871
Accrued vacation and sick pay	8,063
Deferred revenue	7,820
Due to other funds	<u>18,852</u>

Total liabilities	\$ 36,606
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FUND BALANCE

<u>466,977</u>

Total liabilities and fund balance	\$ <u>503,583</u>
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CHARTER TOWNSHIP OF ANN ARBOR
BUILDING DEPARTMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Building permits	\$	\$ 167,084	\$
Interest income		<u>11,671</u>	
Total revenues	<u>102,400</u>	<u>178,755</u>	<u>76,355</u>
EXPENDITURES			
Department head		68,909	
Medical		1,440	
Life insurance		2,180	
Dental		1,102	
Pension		7,457	
Payroll taxes		5,734	
Office supplies		818	
Gasoline and diesel		1,220	
Audit/accounting		1,500	
Subscriptions and books		370	
Membership and dues		720	
Inspector		9,857	
Service contracts		2,892	
Telephone		663	
Equipment repair and maintenance		43	
Miscellaneous		27	
Building and grounds allocation		3,334	
Central charges allocation		<u>10,675</u>	
Total expenditures	<u>127,088</u>	<u>118,941</u>	<u>8,147</u>
Excess of revenues over (under) expenditures	(24,688)	59,814	84,502
FUND BALANCE, JANUARY 1, 2005	<u>407,163</u>	<u>407,163</u>	
FUND BALANCE, DECEMBER 31, 2005	<u>\$ 382,475</u>	<u>\$ 466,977</u>	<u>\$ 84,502</u>

STREET
LIGHTING
FUND

CHARTER TOWNSHIP OF ANN ARBOR
STREET LIGHTING FUND
BALANCE SHEET
DECEMBER 31, 2005

ASSETS

ASSETS

Cash and cash equivalents	\$ 4,865
Special assessment receivable	<u>36</u>

Total assets	<u>\$ 4,901</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 658
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FUND BALANCE

	<u>4,243</u>
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Total liabilities and fund balance	<u>\$ 4,901</u>
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CHARTER TOWNSHIP OF ANN ARBOR
STREET LIGHTING FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Special assessments	\$	\$ 3,905	\$ (1,639)
Interest	<u> </u>	<u> 4</u>	<u> </u>
Total	5,548	3,909	(1,639)
EXPENDITURES			
Electricity	<u>5,548</u>	<u>4,066</u>	<u>1,482</u>
Excess of revenues over expenditures		(157)	(157)
FUND BALANCE, JANUARY 1, 2005	<u>4,400</u>	<u>4,400</u>	<u> </u>
FUND BALANCE, DECEMBER 31, 2005	<u>\$ 4,400</u>	<u>\$ 4,243</u>	<u>\$ (157)</u>

CAPITAL
IMPROVEMENT
FUND

CHARTER TOWNSHIP OF ANN ARBOR
CAPITAL IMPROVEMENT FUND
BALANCE SHEET
DECEMBER 31, 2005

ASSETS

ASSETS

Cash and investments

\$ 585,783

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred revenues

\$ 30,928

FUND BALANCE

554,855

Total liabilities and fund balance

\$ 585,783

CHARTER TOWNSHIP OF ANN ARBOR
CAPITAL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Service contract	\$	\$ 62,173	\$
Surplus property		28,500	
Interest		14,039	
Miscellaneous reimbursement		7,308	
Rental income		<u>72,907</u>	
Total revenues	<u>149,903</u>	<u>184,927</u>	<u>35,024</u>
EXPENDITURES			
Capital outlay		330,823	
Office supplies		<u>26</u>	
Total	<u>325,000</u>	<u>330,849</u>	<u>(5,849)</u>
Excess of revenues over (under) expenditures	(175,097)	(145,922)	29,175
FUND BALANCE, JANUARY 1, 2005	<u>700,777</u>	<u>700,777</u>	
FUND BALANCE, DECEMBER 31, 2005	<u>\$ 525,680</u>	<u>\$ 554,855</u>	<u>\$ 29,175</u>

FARMLAND
PRESERVATION
FUND

CHARTER TOWNSHIP OF ANN ARBOR
FARMLAND PRESERVATION FUND
BALANCE SHEET
DECEMBER 31, 2005

ASSETS

ASSETS

Cash and investments	\$ 266,926
Taxes receivable	195,288
Due from other funds	<u>130,236</u>
Total assets	<u>\$ 592,450</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 538
Due to other funds	40,012
Deferred revenues	<u>318,089</u>
Total liabilities	358,639

FUND BALANCE

	<u>233,811</u>
Total liabilities and fund balance	<u>\$ 592,450</u>

CHARTER TOWNSHIP OF ANN ARBOR
FARMLAND PRESERVATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$	\$ 306,360	\$
Interest		<u>1,714</u>	
Total revenues	<u>308,190</u>	<u>308,074</u>	<u>(116)</u>
EXPENDITURES			
Legal fees		25,630	
Consultants		8,589	
Service contracts		3,200	
Miscellaneous		<u>221</u>	
Total expenditures	<u>36,850</u>	<u>37,640</u>	<u>(790)</u>
Excess of revenues over (under) expenditures	271,340	270,434	(906)
FUND BALANCE, JANUARY 1, 2005	<u>(36,623)</u>	<u>(36,623)</u>	
FUND BALANCE, DECEMBER 31, 2005	<u>\$ 234,717</u>	<u>\$ 233,811</u>	<u>\$ (906)</u>

WATER AND
SEWER
FUND

CHARTER TOWNSHIP OF ANN ARBOR
WATER AND SEWER FUND
BALANCE SHEET
DECEMBER 31, 2005

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 3,817,634
Accounts receivable	173,643
Special assessments receivable	1,239
Interest receivable	78,490
Prepaid expense	1,174
Due from other funds	8,571
Due from others	<u>40,000</u>

Total current assets \$ 4,120,751

RESTRICTED ASSETS

Cash and cash equivalents 2,063,179

PROPERTY, PLANT AND EQUIPMENT

Water and sewer system	15,131,424
Equipment	<u>2,719,107</u>
	17,850,531
Less accumulated depreciation	<u>6,176,575</u>

Net property, plant and equipment 11,673,956

Total assets \$ 17,857,886

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 259,538
Accrued compensated absences and pension	16,832
Due to other funds	<u>15,406</u>

Total current liabilities \$ 291,776

FUND EQUITY

Retained earnings	
Reserved	6,663,826
Unreserved	<u>10,902,284</u>

Total fund equity 17,566,110

Total liabilities and fund equity \$ 17,857,886

CHARTER TOWNSHIP OF ANN ARBOR
WATER AND SEWER FUND
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Special assessments – interest	\$	\$ 293	\$
Charges for services		885,885	
Interest income – investments		174,691	
Connection fees and expenses (net)		<u>12,000</u>	
Total revenues and receipts	<u>1,846,460</u>	<u>1,072,869</u>	<u>(773,591)</u>
EXPENSES AND DISBURSEMENTS			
Purchases of services		824,803	
Wages		71,319	
Insurance – employees		19,942	
Pension		5,314	
Payroll taxes		4,921	
Office		2,194	
Printing		1,372	
Dues and memberships		1,463	
Gasoline and diesel		2,239	
Consultants		14,008	
Legal and accounting		40,763	
Service contracts		8,074	
Depreciation		376,487	
Repairs and maintenance		79,661	
Insurance and bonds		17,181	
Utilities and telephone		15,920	
Building, office and personnel allocation		19,062	
Small equipment		<u>3,593</u>	
Total expenses and disbursements	<u>\$ 1,758,167</u>	<u>\$ 1,508,316</u>	<u>\$ 249,851</u>

This schedule is prepared on a budgetary basis and as such does not present the expenditures for the year on the basis of generally accepted accounting principles but is presented for supplemental information.

CHARTER TOWNSHIP OF ANN ARBOR
WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Total</u>
OPERATING REVENUES	
Charges for services and meters	<u>\$ 885,885</u>
OPERATING EXPENSES	
Purchases of services	824,803
Wages	71,319
Insurance – employees	19,942
Pension	5,314
Payroll taxes	4,921
Office	2,194
Printing	1,372
Gasoline and diesel	2,239
Consultants	14,008
Legal and accounting	40,763
Dues and memberships	1,463
Service contracts	8,074
Utilities and telephone	15,920
Insurance and bonds	17,181
Repairs and maintenance	79,661
Building, office and personnel allocation	19,062
Small equipment	3,593
Depreciation expense	<u>376,487</u>
Total operating expenses	<u>1,508,316</u>
Operating (loss)	<u>(622,431)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income - special assessments	293
Interest income - investments	174,691
Connections fees	41,450
Connection services (expense)	<u>(29,450)</u>
Total other revenues/expenses	<u>186,984</u>
Net (loss)	(435,447)
RETAINED EARNINGS, January 1, 2005	<u>18,001,557</u>
RETAINED EARNINGS, December 31, 2005	<u>\$ 17,566,110</u>

CHARTER TOWNSHIP OF ANN ARBOR
WATER AND SEWER FUND
STATEMENT OF CASH FLOWS - INDIRECT METHOD
FOR THE YEAR ENDED DECEMBER 31, 2005

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:

Operating (loss)		\$ (622,431)
Adjustments to reconcile operating income to net cash from (used in) operating activities		
Depreciation	\$ 376,487	
Changes in assets and liabilities		
(Increase) in prepaid expenses	(1,174)	
(Increase) in due from others	(8,571)	
Decrease in accounts receivable	19,827	
Decrease in assessments receivable	1,238	
Decrease interest receivable	25,770	
Increase in accounts payable	113,420	
Increase due to other funds	4,807	
Increase accrued compensated absences	6,737	
(Decrease) accrued connection fees	<u>(17,040)</u>	
Total adjustments		<u>521,501</u>
Net cash (used-in) operating activities		(100,930)

CASH FLOWS FROM (USED IN) CAPITAL AND RELATED
FINANCING ACTIVITIES

Special assessment interest	293	
Connection fees, (net)	12,000	
Acquisition of equipment and construction	<u>(45,885)</u>	
Net cash (used in) capital and related financing activities		(33,592)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>174,691</u>	
Increase in cash		40,169
CASH AT JANUARY 1, 2005		<u>5,840,644</u>
CASH AT DECEMBER 31, 2005		<u>\$ 5,880,813</u>

The notes of the financial statements are an integral part of this statement.

PAYROLL
FUND

CHARTER TOWNSHIP OF ANN ARBOR
PAYROLL FUND
BALANCE SHEET
DECEMBER 31, 2005

ASSETS

ASSETS

Cash and investments	\$	314
Accounts receivable		3
Due from other funds		<u>138</u>

Total assets			<u>\$</u>	<u>455</u>
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LIABILITIES

LIABILITIES

Accounts payable			<u>\$</u>	<u>455</u>
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TAX
COLLECTION
FUND

CHARTER TOWNSHIP OF ANN ARBOR
TAX COLLECTION FUND
BALANCE SHEET
DECEMBER 31, 2005

ASSETS

ASSETS

Cash and investments

\$ 2,336,994

LIABILITIES

LIABILITIES

Due to others

\$ 1,700,959

Due to other funds

636,035

Total liabilities

\$ 2,336,994

TRUST AND
AGENCY FUND

CHARTER TOWNSHIP OF ANN ARBOR
TRUST AND AGENCY FUND
BALANCE SHEET
DECEMBER 31, 2005

ASSETS

ASSETS

Cash and investments

\$ 499

LIABILITIES

LIABILITIES

Due to other funds

\$ 499

ESCROW
FUND

CHARTER TOWNSHIP OF ANN ARBOR
ESCROW FUND
BALANCE SHEET
DECEMBER 31, 2005

ASSETS

ASSETS

Cash and investments	\$ 265,956	
Due from other funds	2,150	
Due from developers	<u>36,944</u>	
Total assets		<u>\$ 305,050</u>

LIABILITIES

LIABILITIES

Due to other funds	\$ 20,890	
Due to others	<u>284,160</u>	
Total liabilities		<u>\$ 305,050</u>



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

March 9, 2006

Board of Trustees
Charter Township of Ann Arbor
3792 Pontiac Trail
Ann Arbor, MI 48105

Dear Honorable Board Members:

During our audit of the Charter Township of Ann Arbor we came across some items we would like to discuss with you as part of our audit presentation for the year ending December 31, 2005.

1. There are some long-term type professional services provided to the Township by contractors who do not have a written agreement or contract with the Township.

We suggest that all professional contractors have a written agreement or contract with the Township. This would help with clarifying rates of pay, increases in pay and other terms which may not be understood by both parties in the same manner.

2. We noticed as part of the fire department's contract between the Township and employees, the Township provides \$150 per month for retirees' health care. The retirees must meet certain conditions to receive the benefit.

The Governmental Accounting Standards Board has released Statement No. 45, Accounting and Reporting by Employers for Post Employment Benefits other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2008. Upon implementation, an actuarial calculation will need to be completed once every three years to determine the Township's liability.

3. The Township received election equipment through a grant valued at approximately \$9,000. The Township did not amend its budget for this transaction.

Even though no monies were received or disbursed by the Township (non-monetary transaction) under generally accepted accounting principles the budget should have been amended as follows:

Revenue - grant income	\$ 9,000
Expenditure - capital outlay	<u>9,000</u>
Net effect	<u>\$ 0</u>

4. There seems to be some confusion regarding which disbursements should be paid from restricted cash in the Water and Sewer Fund. This came to our attention while auditing the disbursements and having discussions with various personnel.

We were unable to find any written policy approved by the Board giving direction as to which payments are allowed from restricted cash. We suggest a policy be approved by the Board.

We would like to thank the Township officials and employees that assisted us during the audit process for their cooperation.

If you should have any questions, comments or concerns please do not hesitate to call us.

This report is intended solely for the information and use of the Board of Trustees and management of the Charter Township of Ann Arbor and is not intended to be and should not be used by anyone other than the specified parties.

Pfeffer, Hanniford & Palka, P.C.

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